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SUBJECT: WORLD FOOD PROGRAM EXECUTIVE BOARD 2009 ANNUAL SESSION: THE
FOUR F'S - FINANCIAL FRAMEWORK, FLEXIBLE FUNDING

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Summary

11. The 2009 Annual Session of the World Food Program (WFP)
Executive Board was held in Rome from June 8-12. The primary
discussion and recurring theme centered on a review of WFP's
financial framework aimed at better aligning it to the 2008-2011
Strategic Plan. The Board also took note of a record level

\$11.8 billion 2008-2009 biennial program of work. Other key
policy documents included approval of: the 2008 Annual
Performance Report, which highlighted a number of improved
accountability measures undertaken as well as weaknesses in
setting measurable targets; and an extension of the current
Strategic Plan to 2013. Among financial and oversight matters,
the Board approved the first set of International Public Sector
Accounting Standards (IPSAS)-compliant audited annual accounts
(a first for any UN agency) and considered the first annual Audit
Committee Report directed to the Board. The Board also approved
one protracted relief and recovery operation (PRRO) for Kenya
valued at \$178.6 million and two budget increases: \$139.1
million for the Ethiopia PRRO and \$22.1 million for the
Madagascar country program. Lastly, two guest speakers, WHO
Director-General Dr. Margaret Chan and UN High Level Task Force
on the Global Food Crisis (HLTF) Coordinator Dr. David Nabarro,
highlighted themes of UN inter-agency collaboration in the
fields of nutrition, food security, and pandemic preparedness.
End summary.

Opening Session: Oversight Achievements

¶2. In her opening remarks, WFP Executive Director Josette Sheeran conveyed the growing challenges WFP is facing, from the impact of the global financial crisis, which pushed an estimated 100 million more people into hunger, to escalating emergencies around the globe, in particular the sudden scale-up in Pakistan, which has been the largest since the Rwandan crisis in 1994. Turning the focus on internal measures to improve governance and accountability, she highlighted a dozen major achievements, such as: WFP becoming the first UN agency to implement IPSAS and receive a clean opinion on its first audited accounts; the launch of the second generation of the WFP Information Network Global System (WINGS II); the formation of a Strategic Resources Allocation Committee to ensure alignment of donor resources and priority needs; the filling of key management positions; specialized training for Country Directors; and enhanced audit and internal communications. (For full text: <http://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp203424.pdf>)

¶3. In his opening intervention, USDA Deputy Undersecretary (DUS) Burnham John ('Bud') Philbrook, focused on President Obama's theme of providing "people the tools they need to lift themselves out of poverty" by highlighting the tools the U.S. is using or developing to mount a rapid and effective response to enhance food security. For example, using cash to purchase commodities locally and regionally provides flexibility and promotes opportunities for small-holder farmers to build and partake in markets. The U.S. is also pursuing innovative and effective tools that expand response options, such as the development of emergency food products aimed at preventing rather than treating malnutrition, and the predictability of multi-year funding similar to the Mc-Govern Dole School Feeding

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program. Philbrook noted that the words "flexible, effective and predictable" form a common thematic thread which links to everything that WFP is seeking in its ongoing review of WFP's financial framework. The framework, he stressed, should ensure resource prioritization to the greatest needs as, notwithstanding high-level USG commitment to WFP, the U.S. could not presently guarantee its 2008 WFP funding levels (\$2.071 billion). (For full text: http://usunrome.usmission.gov/viewer/article.asp?idSite=1&article=/File2009_06/alia/a9060803.htm)

Special Guests: WHO Director-General and HLTF Coordinator

¶4. WHO Director-General Dr. Margaret Chan structured her remarks around the complementarities of work between WFP and WHO, touching on the areas of common vision, common ground and common challenges. Both organizations must aim to prevent, as well as treat and cure, and foster self-reliance in government partners; operationally, both depend on rapid response and have synergies in health and nutrition programming; and both must work to address 'health out of balance' in the face of increasing costs and diminishing global resources. On the H1N1 virus, Chan warned that although impact is likely to be moderate in wealthier countries, a bleaker picture should be anticipated for the developing world, and the UN will look to WFP's leadership in logistics and food delivery. (For full text: http://www.who.int/dg/speeches/2009/wfp_executive_board_20090608/en/index.html)

15. HLTF Coordinator Nabarro said the main goals of the HLTF are to increase production, access, and utilization of food in developing countries through the coordination of 22 UN agencies, the WTO, and Bretton Woods institutions as well as track investments for food security. The HLTF's Comprehensive Framework for Action (CFA) presents the case for increasing the level of investment in agriculture, the need to get civil society involved, and developing stronger partnerships with the private sector. Nabarro noted that WFP has a significant role to play vis-à-vis the HLTF through its vulnerability assessment mapping and its ability to provide technical assistance in the establishment of social safety nets.

Annual Reports and Policy Issues: 2008 Annual Performance Report
and Extension of 2008-2011 Strategic Plan

16. Despite being faced with unprecedented high food and fuel costs, in 2008 WFP received a record \$5 billion in resources, allowing it to assist in a record number of ways: feeding 102 million beneficiaries (19 percent increase over 2007) with 3.9 million metric tons of food (30 percent more than in the previous highest year 2004). Although vulnerability analysis and mapping assessments increased by 80 percent and more project documents are meeting RBM guidelines, the U.S. expressed concern about the low number of projects actually setting measurable targets, and encouraged WFP to follow through on improving indicator definitions in order to report against the Strategic Results Framework.

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17. UN General Assembly Resolution 63/232 adopted on March 17, 2009, urged UN Funds and Programs and Specialized Agencies to align operational planning from a triennial to a quadrennial cycle under the Quadrennial Comprehensive Policy Review (Q CPR) "in order to provide better policy guidance to" these UN agencies. To adjust to the new Q CPR cycle, agencies are adopting language to extend strategic plans by two years and implement mid-term reviews. The Board approved extending WFP's 2008-2011 Strategic Plan until the end of 2013. The U.S. stressed that, in the interim, WFP must aim to align the financial framework with the current Strategic Plan to ensure that donor contributions continue to target the greatest needs.

Financial and Governance Matters: Financial Framework Review,
Increasing Program of Work, and Unqualified Audit Opinion

18. Financial Framework Review: In the most charged session of the week, the Board considered a roadmap to ensure that WFP funding mechanisms appropriately support the full implementation of the 2008-2011 Strategic Plan under three areas of consensus: a) ensuring predictability and stability of funding; b) achieving a higher level of flexibility and effectiveness in resource usage; and c) reinforcing transparency in the allocation of resources. During his intervention, USAID Democracy, Conflict and Humanitarian Assistance (DCHA) Deputy Assistant Administrator (DAA) Jon Brause stressed that improved

definitional clarity and consistency in the use of WFP program categories is the first priority for the U.S. He also cautioned that WFP must remain a voluntarily-funded organization, respecting the wishes of donors as to how the funds are used. A move by the Netherlands to revise the draft decision to fast-track the roadmap toward a formal decision by November 2009 was met with much reservation by WFP, which indicated the physical impossibility to comply, and by the rest of the Board. After an additional intercession by Brause about the need for a proper discussion the original consultation roadmap was accepted.

¶9. Update to 2008-2009 Biennial Management Plan: The 2008-2009 WFP Biennial Management Plan was approved in October 2007 with a Program of Work (PoW) of \$5.41 billion. In the fifth update issued at this session, WFP reported a 103 percent increase to \$11.8 billion, excluding unforeseen emergencies. Although food prices have stabilized since 2008, they remain substantially higher than the previous two biennia and the impact of the global financial crisis has increased the number or level of new or existing operational requirements in WFP's PoW. WFP anticipates a funding level of \$8.4 billion (or 71 percent of the PoW) for the remainder of 2009, having received over \$5 billion in 2008. The U.S. appreciated WFP's efforts to continue foreign exchange hedging for euro expenditures.

¶10. Audited Annual Accounts: In its first attempt at audited annual accounts under IPSAS, WFP received an unqualified opinion on 2008 statements. WFP's adoption of IPSAS integrated with new WINGS II IT system puts WFP a projected three years ahead of any other UN agency, providing management and the Board with the tools to strengthen results-based management and risk assessment capabilities organization-wide. Under IPSAS, WFP is for the first time using entirely accrual accounting and incorporating financial reporting of inventory levels such as commodities. With WINGS II in place, WFP will be expected to produce 2009 financial statements without heretofore costly workarounds. Based on a couple outstanding audit recommendations, the U.S. reiterated its request that WFP produce a cost-benefit analysis and a costed timetable for deferred IPSAS implementation processes under WINGS II. WFP pledged to continue to accord the

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highest attention to these areas.

¶11. Audit Committee Matters: Following the adoption of new Audit Committee (AC) Terms of Reference (ToRs) in February 2009, the Board for the first time evaluated and summarily approved two AC candidates recommended by the Executive Director. Under the new ToRs, the AC presented also for the first time its annual report directly to the Board. The AC Chair, while highly complimentary of WFP on IPSAS, was equally critical on WFP's enterprise risk management (ERM), saying it had been "left to flounder" due to the lack of a robust control policy and internal control framework. The U.S. contributed to a 14-member joint statement requesting management feedback on specific AC recommendations. Management assured members that WFP would address the risk management gaps. [In other oversight matters, the U.S. expressed strong support for a policy document on disclosure of internal audit reports.]

Evaluation Reports

¶12. The Board reviewed the 2008 Annual Report of WFP's Office of Evaluation, which presented a synthesis of findings from seven evaluations (three strategic and four of WFP operations. It also included 12 decentralized evaluations carried out by regional bureaus and country offices. Based on some of the issues arising out of a consultation in May, the U.S. contributed to and delivered a joint statement with Canada, France, Norway and the United Kingdom, which highlighted the need for policy prioritization, a corporate monitoring system, and budget mainstreaming of the evaluation function.

¶13. An evaluation examining the effectiveness of WFP livelihood recovery interventions concluded that WFP interventions were more effective in preventing asset loss than actually rebuilding livelihoods, on account of lack of funding and time. In its statement, the U.S. recommended further development of WFP analysis in household economy, timing, exit strategy, role of the market, and overall strategy. WFP is planning to select one country in each region to focus on improving all aspects of program design. This issue exemplifies the ongoing debate on how to bring life-saving relief and livelihoods together and will need to be included in the financial framework review discussion on program categories.

¶14. Evaluation summary reports were also considered for three projects: for the Mozambique Country Program, the U.S. was pleased to see the handover of the school feeding program on track; for the Burkina Faso PRRO, the U.S. commended WFP's work to combat under-nutrition and asked for additional information on its collaboration in the National Nutrition Policy; and for the Liberia PRRO, the U.S. encouraged WFP to focus on monitoring and evaluation and transition issues.

Highlights from Regional Presentations and Programs

¶15. Regional and Country Directors highlighted issues and

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presented updates as follows:

A) In Eastern and Southern Africa, a multitude of factors have combined to create very complex hunger equations. In the Horn of Africa, 18 million will need relief assistance in 2009; an upsurge in violence in Somalia is creating large numbers of displaced/refugees in the country and in neighboring Kenya. Other regional challenges include 142,000 IDPs in the Democratic Republic of Congo, and floods in Southern Africa have affected over 1 million people. The global financial crisis continues to impact critical sectors such as mining, tourism, exports, and remittances in the already vulnerable context of HIV/AIDS. An estimated \$648 million is needed to cover immediate requirements; WFP is seeking innovative solutions like pre-positioning, local procurement, Purchase for Progress, cash/vouchers, hand-over, and capacity building to meet needs.

B) In Sudan, WFP is refocusing assistance toward recovery. Some expelled NGOs may have the possibility to return under new registration. A Special Operation to create hubs in the deep field for longer-term WFP/NGO use will allow for better-tailored assistance. The 2009 program, totaling \$800 million, is

currently funded at 59 percent.

C) In West Africa, although there are increasing needs, with food prices higher in some areas than the same time last year, opportunities such as cash and voucher programs are also emerging, for example in Burkina Faso. The WFP Country Director explained the rationale, targeting and design of the intervention, particularly its synergy with health programming (i.e., the draw to health clinics created by on-site voucher distribution), and the sense of dignity offered to beneficiaries (resulting from the ability to go to the store and shop rather than receive a hand-out). Some Board members registered concerns over funding shortfalls and future outlook given the perceived difficulty for scale-up and hand-over.

D) In Asia, increased needs and costs in Pakistan and high security risks across the region were highlighted (all countries except Laos and Cambodia are in a security phase). Sixty-two percent of the world's under-nourished are in this region which, with 34 million, also has the highest number of children out of school. Innovative activities to combat high food prices include advance procurement of rice and use of blended, fortified food. Pakistan was also the subject of two subsequent Board sessions: during the annual security report, WFP briefed the Board on the June 10 bombing of the UN-designated hotel in Peshawar where one WFP Security Officer was injured; during the closing session, the Deputy Regional Director was joined via telcon by Logistics Officers in Islamabad for a planning update.

E) In the Middle East, Eastern Europe and Central Asia, challenges to food security include reduced remittances caused by the financial crisis, conflict and civil unrest, natural disasters and climate change. Added activities include expansion of cash and voucher programs, capacity support to governments, climate change study and adaptation, and partnerships in public and private sectors.

F) In Latin America and the Caribbean, the focus was on the impact of the global economic crisis on the nutritional status of the most vulnerable populations due to, e.g., increasing unemployment and decreasing remittances. Natural disasters continue to challenge food security. WFP is working closely with governments to fill critical gaps and find opportunities

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within safety nets, to promote South-South cooperation, and to support purchase from smallholders for school feeding programs (e.g., in Brazil). The funding shortfall stands at about \$125 million, or two-thirds of total needs.

116. Project Approvals: A PRRO was approved for Kenya (195,000 metric tons for 474,000 beneficiaries valued at \$178.6 million).

Two budget increases were also approved: for the Madagascar Country Program, a \$22 million increase to cover a two-year extension in time; and for the Ethiopia PRRO, a \$139.1 million increase to address increased vulnerability (the U.S. believes this vulnerability is underreported). A draft Country Program for Uganda was reviewed and should be approved in November.

Staff Movements

¶17. At the closing session, key staff movements were announced:

- Amer Daoudi will become Sudan Regional Director while Martin Ohlsen will replace Daoudi as Director, Transport and Logistics;
- Pedro Medrano, currently Regional Director for Latin America/Caribbean, will become WFP/New York Director;
- Kenro Oshidari, currently Sudan Regional Director, will become Asia Bureau Regional Director;
- Nicole Menage is Director, Procurement Division; and
- Sean O'Brien is Deputy CFO.

USDEL Side Meetings

¶18. USDEL members included: for USDA, DUS Burnham John ('Bud') Philbrook, Pat Sheikh and Babette Gainor; for USAID, DCHA DAA Jon Brause, Food for Peace Director Jeff Borns, Dale Skoric, Mary Beth Brennan, and Patterson Brown (Brussels); and for State Katherine Perkins (PRM) and John Tuminaro (IO). The USDEL held various side meetings with senior WFP staff on, among others:

A) Funding: The U.S. concurred with WFP that financial framework discussions should focus on clarifying program categories without drastically altering the current framework.

B) Horn of Africa: Monitoring and reporting, assessment validity and port congestion were discussed with WFP/Ethiopia Directors and the Ethiopian Minister for Disaster and Food Security. Having taken over the CARE caseload, WFP now has 3.4-3.5 million beneficiaries in Somalia, where keeping capacity in place to treat malnutrition, for example, in Hiran, remains difficult. Erratic rains, urban food insecurity and the level of the grain reserve in Kenya also remain key areas of concern.

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C) Asia: In Sri Lanka, access is improving. In Burma, the UN Country Team is deciding whether or not to wait until after elections next spring to redesign the program. In the Philippines, the deteriorating situation of large IDP populations was also highlighted.

D) Communications: Ways of enhancing public visibility of U.S. contributions were the main focus, with the U.S. encouraging WFP to tap into current interest in the area of food security.

¶19. USUN Rome Comment: USUN Rome thanks all field and Washington staff who contributed with comments and key input on project and evaluation documents, providing depth to U.S. interventions. As

the toll of the world's economic downturn is still being evaluated, the U.S. will continue to monitor closely WFP's PoW for 2009, working with other concerned Board members to ensure that resources are directed to priority needs and that WFP maintains its expertise in delivering emergency food aid. To this end, the U.S. will also use financial framework consultations with WFP to target improvements in the application of program categories. Given the Obama Administration's priority on addressing poverty and hunger, WFP remains a strong partner to help achieve U.S. objectives in the evolving USG strategy to enhance global food security.

¶20. Minimize considered.
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